Q1

TSX Venture – MAH **Report for the 3 months ended**

New York OTCQB Venture Marketplace – MKSEF **March 31, 2019**

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. ("Marksmen or the Company") is for the quarter ended March 31, 2019 and was prepared with information available up to May 28, 2019 and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2018. All values in this MD&A are expressed in Canadian currency ("CAD") unless specifically notated as USA currency ("USD"). Certain information regarding Marksmen contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Basis of Presentation

The financial data presented below has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Application of Accounting Estimates

The significant accounting policies used by Marksmen are disclosed in Note 3 of the audited consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates.

Non-IFRS

This MD&A includes the following measure that is used by the Company, but does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies:

Operating netback – is not a standardized measurement in accordance with IFRS. Operating netback is calculated by deducting royalties and production expenses, including transportation costs, from revenues. It is also calculated on a boe basis. Operating netback is useful in calculating field performance for internal management purposes.

Barrel of Oil Equivalent - Where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to boe at a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

Forward-Looking Statements

This Management's Discussion and Analysis may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, the actual results of drilling and exploration being equivalent to or better than anticipated or historical results and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the early stage development of the Company and its projects; general business, economic, competitive, political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; competition; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the natural resources industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Introduction

The primary business of Marksmen is the acquisition, development and production of oil properties located in Ohio, USA.

In 2017, Marksmen entered into an agreement for a 60% working interest in a Clinton Sandstone formation horizontal drilling program, operated by Hocking Hills Energy and Well Services LLC. The agreement includes an area of mutual interest covering parts of four townships with over 5,000 acres currently under lease.

The Leaman #1 well was drilled and completed in 2018 to a total depth at 6,398 feet of which approximately 2,700 feet was the horizontal leg. Hydraulic fracturing was completed and was technically successful. A casing failure occurred at the beginning of the fracture stages, which required substantial remedial work including a new side-track horizontal leg to be drilled just above the collapsed casing but still in the fractured zone. This was successfully completed in late December 2018.

In early 2019 production equipment has been installed at the Leaman #1 well and production testing is on-going. A significant amount of hydraulic fracturing fluid has been recovered to date with steadily improving oil production. The Company's technical team believes that the remedial horizontal leg is well connected with the fractured zone and as more of the fluid/brine is removed the percentage of oil produced will continue to increase.

The Company is also evaluating optimization of existing low production wells, and the drilling opportunities on its current land positions in both Hocking and Pickaway counties in Ohio. To meet future capital projects, the Company will consider additional equity by way of private placements and the use of funds generated from operations. Capital projects will be undertaken as funding is available.

Quarterly Financial Information

The following is a summary of selected quarterly information. This summary should be read in conjunction with audited and unaudited financial statements of the Company as contained in the public record.

Quarterly Information	**Q1 2019**	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net oil production - bbls	**2,031**	3,070	3,459	4,444	3,347	3,792	3,829	5,014
Net oil production - bbls / day	**22.6**	33.4	37.6	48.8	37.2	41.2	41.6	55.1
Revenue - oil	**$ 143,647**	$ 239,204	$ 309,083	$ 380,784	$ 260,942	$ 258,747	$ 220,011	$ 319,955
Royalties	**$ (18,945)**	$ (31,244)	$ (40,147)	$ (53,445)	$ (30,371)	$ (33,637)	$ (28,881)	$ (41,751)
Operating expenses	**$ (28,405)**	$ (36,931)	$ (39,515)	$ (20,384)	$ (15,904)	$ (37,332)	$ (36,025)	$ (28,368)
Income from operations	**$ 96,297**	$ 171,029	$ 229,421	$ 306,955	$ 214,667	$ 187,778	$ 155,105	$ 249,836
Net loss	**$ (285,629)**	$ (275,620)	$ (77,841)	$ (223,902)	$ (147,734)	$ (341,415)	$ (114,871)	$ (89,758)
Total assets	**$ 6,831,801**	$ 6,881,026	$ 6,243,527	$ 6,375,910	$ 5,525,659	$ 5,346,277	$ 4,559,104	$ 4,690,786
Total liabilities	**$ 2,098,838**	$ 2,241,952	$ 2,087,866	$ 2,087,866	$ 2,313,086	$ 2,114,296	$ 1,769,968	$ 1,725,380
Total shareholder's equity	**$ 4,732,963**	$ 4,639,074	$ 4,174,542	$ 4,288,044	$ 3,231,981	$ 2,789,136	$ 2,965,406	$ 2,985,977
Total liabilities & equity	**$ 6,831,801**	$ 6,881,026	$ 6,262,408	$ 6,375,910	$ 5,545,067	$ 4,903,432	$ 4,735,374	$ 4,711,357
Common shares issued & o/s	**100,813,590**	96,736,643	93,561,641	93,561,641	88,295,065	88,102,065	83,352,932	82,387,932

Operating Netback – Ohio USA in $USD

	Q1 2019			Total Q1	Q1		
$USD	**Jan**	**Feb**	**Mar**	**2019**	**2018**	**Change**	**% Change**
Net Oil Production - bbls	**775**	**632**	**624**	**2,031**	3,347	(1,316)	**(39)**
Revenue	**$ 38,778**	**$ 33,965**	**$ 35,262**	**$ 108,005**	$ 206,327	$ (98,322)	**(48)**
Royalties	**$ (5,128)**	**$ (4,444)**	**$ (4,672)**	**$ (14,244)**	$ (24,014)	$ 9,770	**(41)**
Operating costs	**$ (4,883)**	**$ (9,507)**	**$ (4,158)**	**$ (18,548)**	$ (10,334)	$ (8,214)	**79**
Operating netback	**$ 28,767**	**$ 20,014**	**$ 26,432**	**$ 75,213**	$ 171,979	$ (96,766)	**(56)**
Revenue /bbl	**$ 50.04**	**$ 53.74**	**$ 56.51**	**$ 53.18**	$ 61.65	$ (8.47)	**(14)**
Royalties / bbl	**$ (6.62)**	**$ (7.03)**	**$ (7.49)**	**$ (7.01)**	$ (7.17)	$ 0.16	**(2)**
Operating costs / bbl	**$ (6.30)**	**$ (15.04)**	**$ (6.66)**	**$ (9.13)**	$ (3.09)	$ (6.04)	**196**
Operating netback / bbl	**$ 37.12**	**$ 31.67**	**$ 42.36**	**$ 37.03**	**$ 51.38**	**$ (14.35)**	**(28)**

Production – Total Company production in the first quarter of 2019 was 2,031 barrels compared to 3,347 or a decrease of 1,316 barrels or 39% from the same period in 2018. Normal decline, colder than normal weather and workovers resulted in approximately 35 lost production days in the quarter. There were approximately 60 barrels net to Marksmen of oil sold in February 2019 from production testing of the Leaman #1 well.

Well Information – Marksmen agreed to participate in the drilling of a horizontal well, Leaman #1, located in Hocking County, Ohio. The well was drilled to total depth in the first quarter of 2018, hydraulically fractured in the second quarter. A casing failure required the well to be re-completed in December 2018. The well is currently being production tested.

	Q1	Net	Q1	Net
Well Information	**2019**	**Marksmen %**	2018	Marksmen %
Drilling or testing - Leaman #1	**1**	**60.0**	1	60.0
Producing wells	**4**	**63.8**	2	62.5
				-
Water Injection well	**1**	**100.0**	1	100.0
Shut-in (Require workovers)	**2**	**75.0**	3	75.0

Alberta

Marksmen's wells at Alder Flats in Alberta have been shut-in since 2010. Of these six wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. Equipment salvage operations from the abandoned wells has been completed in 2018 and reclamation work will continue in 2019. The remaining well at Alder Flats has not been abandoned as it remains a candidate for sale or transfer to a third-party oil and gas company. There were $3,736 of field operating costs related to surface leases and reclamation charged to wells in Alberta.

Operating Netback in $CDN

$CDN	Q1 2019	Q1 2018	Change	% Change
Net Oil Production - bbls	**2,031**	3,347	(1,316)	**(39)**
Revenue	**$ 143,647**	$ 260,942	$ (117,295)	**(45)**
Royalty expense	**$ (18,945)**	$ (30,371)	$ 11,426	**(38)**
Production costs	**$ (28,405)**	$ (15,904)	$ (12,501)	**79**
Operating netback	**$ 96,297**	**$ 214,667**	$ (118,370)	**(55)**
Revenue /bbl	**$ 70.73**	$ 77.96	$ (7.23)	**(9)**
Royalties / bbl	**$ (9.33)**	$ (9.07)	$ (0.25)	**3**
Operating cost/bbl	**$ (13.99)**	$ (4.75)	$ (9.23)	**194**
Operating netback / bbl	**$ 47.41**	$ 64.13	$ (16.72)	**(26)**

Oil Revenue - for the quarter ended March 31, 2019 decreased 45% compared to the same quarter in 2018. The decrease is due to 39% lower production and lower commodity prices. There were approximately 35 lost production days related to cold weather and workovers. Revenue is paid to Marksmen directly by the oil marketing company and is based on their monthly pricing schedule derived from the daily posted West Texas Intermediate oil ("WTI") prices.

Royalties - are paid by the oil marketing company at 12.5% of revenue to the landowners of record as determined by Marksmen. There are no royalties paid to the state of Ohio but rather oil severance taxes of $0.20 per barrel. Total royalties paid in the first quarter of 2019 were $18,945 compared to $30,371 in the first quarter of 2018.

Operating Expenses – during the first quarter of 2019 the operating expenses were higher by $12,501 compared to Q1 of 2018 largely due to property taxes of approximately $6,251, workovers of $4,675 as well as $3,736 of operating costs in Alberta. With lower production and higher than normal operating costs, the operating costs per barrel increased by $9.23 per barrel.

General and Administrative Expenses

General & Administrative Expenses	Q1 2019	Q1 2018	Change	% Change
Employee compensation	**$ 31,505**	$ 32,682	$ -1,177	**-4%**
Management consulting services	**$ 35,700**	$ 62,700	$ -27,000	**-43%**
Professional fees	**$ 10,988**	$ 12,664	$ -1,676	**-13%**
Investor relations	**$ 12,235**	$ 45,667	$ -33,432	**-73%**
Filing and listing fees	**$ 14,563**	$ 15,635	$ -1,072	**-7%**
Ohio management and administration	**$ 3,124**	$ 8,213	$ -5,089	**-62%**
Insurance	**$ 15,441**	$ 9,174	$ 6,267	**68%**
Computer software and support	**$ 4,485**	$ 4,760	$ -275	**-6%**
Office and storage	**$ 12,525**	$ 12,525	$ -	**0%**
General and administrative - other	**$ 4,995**	$ 5,685	$ -690	**-12%**
	$ 145,562	$ 209,705	$ -64,143	**-31%**

The Company has categorized its administrative expenses as presented above and described below. In 2018 the categories have been expanded to include insurance, computer software and support and office and storage space. This has resulted in the reclassification of some 2018 general and administrative costs for comparative purposes.

Employee Compensation – This compensation represents payments of salaries and wages to one full-time management employee and two part-time administrative support personnel.

Management Consulting Fees – These fees are related to fees to a professional corporation of a senior executive for services related to the overall management of the Company including some administrative costs. The higher costs in the first quarter of 2018 were due to additional fees being charged for increased activities in equity raises and executive involvement in the management of the Leaman #1 well. The executive has invested in all the private placements of the Company.

Professional Fees – Consist of legal fees, reserve engineering, audit and accounting services in Canada, as well as fees for engineering, geology and land consulting in Ohio, USA.

Investor Relations – Are related to costs incurred to raise capital for the drilling opportunities in Ohio. Expenses related to travel, investor conferences, and use of investment consultants throughout North America were $33,432 higher in the first quarter of 2018 compared to the first quarter in 2019.

Filing and Listing Costs – These costs are directly associated with costs of being a public company in Canada. They include annual fees and charges from stock exchanges in Canada and New York, provincial securities commissions, and a stock transfer agent.

Ohio Management and Administrative Expenses – Marksmen's business activities in 2019 continue to be focused on developing its oil and gas operations in Ohio. There were $6,066 of management fees charged to E&E capital projects in the first quarter of 2019.

Insurance – There has been a general increase in oil and gas related insurance, especially related to operations in the USA, in all categories including director and officer, property and general liability and control of well insurance that resulted in an increase of $6,267 in the first quarter of 2019 compared to the same period in 2018.

Computer Software and Support – are related to a monthly fee for our accounting software package and on-going support of our computer equipment, internet and telephone services.

Office and Storage – costs are associated with offsite storage of files and equipment and rent paid for office space.

General and Administrative Expenses – These expenses are normal day to day costs of running the Company.

Selected Other Expenses

Interest Expense – During the first quarter of 2019 the Company incurred interest related to a secured debenture of $35,700 compared to $36,986 in the same period of 2018. The Company has met all its semi-annual interest payments. The next payment is scheduled for June 2019.

Depletion – In the first quarter of 2019 depletion totaled $44,329 or $21.83 per barrel compared to $78,638 or $23.50 per barrel of oil produced in the first quarter of 2018.

Bad Debt – the Company recorded a bad expense of $79,240 related to surface rights obligations that the Company has been deemed responsible for.

Financial Position – Highlights

	Mar 31, 2019	Dec 31, 2018	Change	% Change
Assets				
Current assets	**$ 303,086**	$ 258,604	$ 44,482	**17**
Exploration and evaluation assets	**$ 4,533,370**	$ 4,545,574	$ (12,204)	**(0)**
Property and equipment	**$ 1,995,345**	$ 2,076,848	$ (81,503)	**(4)**
	$ 6,831,801	$ 6,881,026	$ (49,225)	**(1)**
Liabilities				
Accounts payable and accruals	**$ 462,462**	$ 602,952	$ (140,490)	**(23)**
Secured debentures	**$ 1,232,859**	$ 1,250,000	$ (17,141)	**(1)**
Decommissioning liabilities	**$ 403,517**	$ 389,000	$ 14,517	**4**
	$ 2,098,838	$ 2,241,952	$ (143,114)	**(6)**
Equity				
Share capital, contributed surplus & other	**$ 25,989,002**	$ 26,609,485	$ (620,483)	**(2)**
Deficit	**$ (21,256,039)**	$ (20,970,411)	$ (285,628)	**1**
	$ 4,732,963	$ 5,639,074	$ (906,111)	**(16)**
Liabilities and equity	**$ 6,831,801**	$ 7,881,026	$ (1,049,225)	**(13)**

Assets – Current assets increased by $44,482. This consisted of an increase of $32,000 in cash and $12,482 in accounts receivable. Also, see Capital Expenditures below that outline additions and adjustments for E&E and PP&E assets.

Liabilities – Accounts payable and accruals are lower by $140,490 resulting from the reversal of a year-end accrual for unbilled exploration and evaluation costs related to the Leaman #1 well. These billings from the well operator were subsequently received in the first quarter of 2019.

Equity – Share capital increased by approximately $289,700 net of costs, as a result of a private placement in the first quarter of 2019. Contributed surplus increased by $121,100 due to warrant re-evaluation on expiry and share based payments. The deficit increased by the net loss of the Company of the first quarter of 2019 of $285,628.

Capital Expenditures

Exploration and Evaluation (E&E) at Cost	**Mar 31, 2019**	Dec 31, 2018
Balance, beginning of year	**$ 4,545,574**	$ 1,736,033
Expenditures on Exploration and Evauluation	**$ 71,690**	$ 2,693,897
Foreign currency adjustment	**$ (83,894)**	$ 115,644
Balance, end of year	**$ 4,533,370**	$ 4,545,574

There were $71,690 of additions in E&E assets related to expenditures for the Leaman #1 horizontal well in the first quarter of 2019. This was offset by a downward foreign currency adjustment of $ 83,894 that reduced the overall cost of E&E by $12,204.

Property Plant and Equipment (PP&E) at Cost		Mar 31, 2019		Dec 31, 2018
Balance beginning of Year	**$**	**4,089,833**	$	3,803,559
Additions (Disposals)	**$**	**-**	$	(21,985)
Change in estimate of decommissioning liabilities	**$**	**10,503**	$	21,395
Foreign currency adjustment	**$**	**(72,949)**	$	286,864
Balance, end of year	**$**	**4,027,387**	$	4,089,833

In the first quarter of 2019 there were no additions or disposals, a change of $10,503 in the estimate of decommissioning liabilities and a downward foreign currency adjustment of $72,949 resulting in an overall reduction of the PP&E assets of $62,446.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $403,517 (December 31, 2018 - $389,000). The total undiscounted amount of estimated future cash flows is $442,982 (December 31, 2018 - $447,068). These payments are expected to be made over the next 20 years. The obligations on the Canadian properties have been calculated using an inflation rate of 2% (December 31, 2018 – 2%) and a discount factor, being the average risk-free rate related to the liability, of 1.56% (December 31, 2018 – 1.81% - 1.85%). The obligations on the US properties have been calculated using an inflation rate of 2% (December 31, 2018 – 2%) and a discount factor, being the average risk-free rate related to the liability of 1.91% (December 31, 2018 – 1.94%).

During the year ended December 31, 2015, the Company completed the abandonment of substantially all of its Canadian petroleum and natural gas assets. Reclamation of these assets is continuing in 2019.

Secured Debenture

In previous years, Marksmen entered into two secured debentures agreements with a third party that total $1,250,000 and matured on December 31, 2018. The debentures bear interest at 12% per annum with payments due semi-annually at the end of June and December of each year. The Company may repay the debentures at any time during the term. The Company has fulfilled all its interest payment obligations over the term of the debentures, including during the year ended December 31, 2018.

In January 2019, the Company closed a private placement of a non-convertible secured debenture to replace the debentures outlined above. The non-convertible debenture was issued for $1,250,000, along with the issuance of 1,800,000 share purchase warrants of the Company. Each whole warrant entitles the holder thereof to purchase one common share of the Company for $0.24 per share if the debenture is paid in full by April 30, 2019 and at $0.22 per share thereafter, expiring on December 31, 2019. The debenture bears an interest rate of 12% per annum and matures on December 31, 2019. The terms of the new debenture are essentially the same as the debentures that matured on December 31, 2018.

Share Capital

For a detailed explanation of the transactions that took place in the first quarter of 2019 and previously for common shares, warrants, broker warrants and stock options please refer to Note 8, Share Capital, in Marksmen's consolidated financial statements for the three-month period ended March 31, 2019. The chart below is a summary of share capital and includes the balances as of May 28, 2019.

Share Capital	Q1 Mar 31, 2019	Dec. 31, 2018	May 28,2019
Common Shares	**100,813,590**	96,736,643	100,813,590
Stock options	**9,044,000**	9,669,000	10,074,000
Warrants	**10,446,123**	7,573,623	10,446,123
Broker warrants	**77,600**	133,547	77,600

During the quarter ended March 31, 2019 there were:

- 3,880,000 common shares were issued related to private placements.
- 1,940,000 warrants were issued related to private placements.
- 56,000 broker warrants were issued related to private placements.
- 111,947 broker warrants were exercised.
- 50,000 warrants were exercised.
- 817,500 warrants expired.
- 1,800,000 warrants were issued related to a debenture.
- 35,000 stock options were exercised.
- 590,000 stock options expired.
- Subsequent to the first quarter, in April 2019, there were 1,030,000 stock options issued.

Share-based Payments

During the three months ended March 31, 2019, the Company granted nil stock options (December 31, 2018 – 2,795,000), and 35,000 were exercised, 590,000 expired unexercised, and nil were forfeited (December 31, 2018 – 721,000, 300,000 and 162,000 respectively). One-third of the stock options vest immediately and the remaining stock options granted vest one-third on each of the first and second anniversary of the grant date. The forfeiture rates are based on historical data and managements estimates. The fair value of the options granted is estimated as at the grant date using the Black-Scholes option pricing model.

Share-based payments expense recognized during the three months ended March 31, 2019 was $61,231 (March 31, 2018 - $35,094), of which $57,622 has been recorded in the Consolidated Statement of Comprehensive Loss (March 31, 2018 - $33,322) and $3,609 has been capitalized as E&E (March 31, 2018 - $1,772), all of which has been recorded as an offsetting credit to contributed surplus.

Subsequent Events

On April 4, 2019, the Company granted 1,030,000 stock options to directors, officers, employees and consultants of the Company. The stock options were issued with an exercise price of $0.10 per share, vest as to 1/3 immediately and 1/3 on each of the first and second anniversary dates of the grant. The stock options have a five-year term from the date of issuance.

Related Party Transactions

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

An aggregate of $35,700 (March 31, 2018 - $62,700) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as $7,500 (March 31, 2018 - $7,500) for costs associated with office space, storage space, and various administrative support costs.

An aggregate of $9,234 (March 31, 2018 - $19,785) in consulting fees and related costs were paid to a director and Vice President of Operations, of the wholly owned subsidiary, Marksmen Energy USA, Inc. of which $4,561 (March 31, 2018 - $13,190) were capitalized as E&E costs.

Aggregate legal fees of $7,308 (March 31, 2018 - $5,735) were charged by a law firm in which a director of the Company is a partner, of which $7,308 (March 31, 2018 - $5,735) were expensed as general and administrative expenses and $nil (March 31, 2018 - $nil) were charged to share capital as share issue costs.

As at March 31, 2019, the Company has accounts payable and accrued liabilities totaling $31,689 (December 31, 2018 – $282,786) owing to related parties relating to the above transactions.

All the above related party transactions are in the normal course of operations.

Commitment

The Alberta Energy Regulator ("AER") - has an industry wide program to measure all operating companies Licensee Liability Rating ("LLR"). The LLR program is established by the AER to prevent the costs to abandon, remediate and reclaim a well or facility from becoming the responsibility of the public of Alberta. The program measures the ratio of deemed well and facility assets divided by deemed well and facility Liabilities and if the ratio is below 1.0 a deposit is required. At March 31, 2019, included in deposits and prepaid expenses is an amount of $40,626 on deposit with the AER associated with the Company's operated wells in Alberta (2018 - $40,427). The AER has indicated that a higher deposit may be required. Since all wells in Alberta are either abandoned or shut-in, the Company has decided to continue negotiations with the AER to bring certain wells back on production to add positive deemed asset valuation.

The Surface Rights Board ("SRB") – is a quasi-judicial tribunal in Alberta that has a dispute resolution process to resolve issues of non-payment of surface leases to landowners by oil and gas companies. On September 18, 2018, the Company was served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections regarding surface lease payments outstanding on properties that were sold by the Company to a third-party in August of 2010. As at March 31, 2019, as per notification from SRB, the Company has a balance outstanding of $79,240.

The Company has an Assignment of Surface Rights agreement with the third-party company, effective August 1, 2010 whereby the responsibility for the payment of surface leases is with the third-party. The third-party does not dispute this agreement and agrees they are responsible for the payment of surface leases.

Upon the sale of the properties, the Company agreed to retain a nominal 1% working interest in the sold properties and act as the Operator of the wells on behalf of the third-party company. The Company's position on this judgement is that the assignment of Surface Rights agreements takes precedent while the SRB asserts that the provincial laws governing the SRB places the responsibility on the Operator as defined by Alberta law governing SRB and the Alberta Energy Regulator.

Subsequently, on April 4, 2019, SRB has ruled and agrees that the third-party company is also an Operator, but they did not agree that Marksmen should be removed as an Operator. Therefore, effective March 31, 2019, the Company has accrued for these surface rights obligations. Although the third-party company has agreed they are responsible for the surface payments, their ability to reimburse the Company for the costs is unlikely, and accordingly, the accrued payment has been recorded as a bad debt item in the statement of loss and comprehensive loss. The Company will continue to review its options and continue discussions with SRB regarding an appeal of these rulings.

Financial Risk Management

Going concern – At March 31, 2019, the Company had not yet achieved profitable operations, had accumulated a deficit of $21,256,039, a negative working capital of $1,392,235, and may incur further losses in the development of its business. The ability to continue as a going concern is dependent on global commodity markets, obtaining continued financial support by completing public equity financing, continuing to be able to renegotiate the secured debentures that mature on December 31, 2019, and by drilling additional oil and gas wells that will increase cash-flow and oil and gas reserves. The timing and extent of forecast capital and operating expenditures is based on the Company's 2019 budget and on management's estimate of expenditures expected to be incurred beyond 2019.

The Company successfully completed two private placements for gross proceeds of $388,000, has successfully renegotiated the secured debentures that matured on December 31, 2018, and realizing additional cash flows from drilling activities. Additional equity financing is subject to volatile financial markets and economic conditions.

Fair values - The fair value of cash, trade and other receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. The fair value of the debentures was calculated using an estimate of the market rate for similar debentures without warrants, which is a level 2 input.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Credit risk - is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of cash and trade and other receivables represents the maximum credit exposure.

As at March 31, 2019, the Company had cash of $140,014 (December 31, 2018 - $107,685), all of which was deposited with two major financial institutions. Management has assessed the risk of loss to be minimal.

As at March 31, 2019, the Company's accounts receivable consisted of $54,637 receivable from oil and natural gas marketing companies (December 31, 2018 - $65,822), $40,319 receivable from joint venture working interest owners (December 31, 2018 - $11,155) and $6,195 related to goods and service tax owing from the Government of Canada (December 31, 2018 - $11,802). As at March 31, 2019, 54% (December 31, 2018 - 74%) of the Company's receivable are held with one oil and natural gas marketing company and is therefore subject to concentration risk. Receivables from oil and natural gas marketing companies are typically collected within one month of delivery of product and historically the Company has not experienced collection issues with its marketers. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued and cash call receivables are usually provided to the operator at least 30 days in advance of drilling. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner pre-approval of significant capital expenditures. In certain circumstances, the Company may request an operating advance, cash call a partner in advance of capital expenditures being incurred, or revoke a non-operating working interest owners take-in-kind rights pursuant to joint operating agreement provisions. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling.

In addition, further risk exists with joint ventures; as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint ventures; however, the Company does have the ability to withhold production from joint ventures in the event of non-payment.

Payment terms with customers vary by contract. Standard payment terms are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at March 31, 2019 and December 31, 2018, excluding any impaired accounts, are as follows:

Days outstanding	As at March 31, 2019	As at December 31, 2018
0-30 days	94,956	76,977
31-60 days	6,195	11,802
61-90 days	-	-
Greater than 90 days	-	-
Trade and other receivables, net of allowance	**101,151**	**88,779**
Impairment provision	**-**	**-**

The Company assessed the credit loss risk as $nil based on historical data.

The Company recorded a bad debt expense of $79,240 related to a surface rights obligation that the Company has been deemed responsible for.

Liquidity risk – is the risk that the Company will not be able to meet its financial obligations as they fall due. At March 31, 2019, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of $462,462 (December 31, 2018 - $602,952), which are all due over the next twelve months, and the secured debentures balance of $1,250,000, which matures on December 31, 2019. The Company attempts to have sufficient liquidity to meet its liabilities.

The Company prepares annual capital expenditure budgets, which are regularly updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

Market risk - is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Currently the Company does not use financial derivatives or physical delivery sales contracts to manage market risks. If in the future management determines market risk warrants the use of financial derivatives or physical delivery sales contracts any such transactions would be approved by the Board of Directors.

Commodity price risk - is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as oil and natural gas prices are impacted by world economic events that dictate the levels of supply and demand. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when deemed appropriate. The Company did not have any commodity price contracts in place as at or during the three months ended March 31, 2019 and December 31, 2018. A 20% change is price per bbl in commodity process would impact petroleum and natural gas sales by approximately $24,900.

Foreign currency risk - is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company regularly converts Canadian currency into United States currency to provide funds for its Ohio based projects. The Company currently sells oil or natural gas in US currency. The exchange rate between the Canadian and the United States dollar exposes the Company to foreign currency exchange risk. A hypothetical change of 10% to the foreign exchange rate between the US dollar and the Canadian dollar applied to the average level of US denominated cash during the year would not have a material impact on the Company's loss.

The Company had the following financial instruments denominated in USD:

	March 31, 2019	December 31, 2018
Cash	86,808	97,313
Trade and other receivables	94,956	76,977
Accounts payable and accrued liabilities	208,022	423,709

Interest rate risk - is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have short- or long-term interest-bearing debt with variable interest rates and therefore is only exposed to interest rate risk through its cash holdings. The Company's secured debenture bears a fixed interest rate. The Company has no interest rate swaps or financial contracts in place as at or during the periods ended March 31, 2019 and the year ended December 31, 2018.

Segmented Information

The Company's primary operations are limited to a single industry being the acquisition, exploration for, and development of petroleum and natural gas.

Geographical segmentation is as follows:

	For the three months ended March 31, 2019		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	143,647	143,647
Depletion and depreciation	100	49,229	49,329
Net loss and comprehensive loss (income)	332,219	(46,590)	285,629
Exploration and evaluation assets	-	4,533,370	4,533,370
Property, plant and equipment	1,427	1,993,917	1,995,345
Total liabilities	1,725,722	373,116	2,098,838

	For the year ended March 31, 2018		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	260,942	260,942
Depletion and depreciation	150	78,488	78,638
Net loss and comprehensive loss (income)	241,572	(93,838)	147,734
Exploration and evaluation assets	-	2,650,566	2,650,566
Property, plant and equipment	1,976	2,241,309	2,223,110
Total liabilities	1,945,222	367,864	2,114,296

Outlook

The primary business of Marksmen is the acquisition, development and production of oil properties located in Ohio, USA. Marksmen and its Ohio based technical team have been active in Ohio since 2012.

In December of 2018 the Company completed its first Clinton Sandstone horizontal well in Hocking County, Ohio, operated by Hocking Hills Energy and Well Services LLC. The well is currently transitioning from testing to production with the focus on optimization of oil production from the multi-stage hydraulically fractured reservoir. Marksmen has a 60% working interest in the well and approximately 5,000 acres of leasehold interests in a four-township area of mutual interest with working interest participants.

The Company has interests in discovery oil wells in the Trenton Black River, Cambrian Knox and Clinton Sandstone formations in Hocking and Pickaway counties in Ohio. Marksmen is currently evaluating additional Clinton Sandstone drilling opportunities in Ohio as well as optimization and offset drilling opportunities at its Cambrian Knox oil fields in Pickaway County. To meet future capital projects, the Company will consider additional equity by way of private placements as well as funds generated from operations. Capital projects will be undertaken as funding is available.

Other

Additional information relating to the Company is available on SEDAR at www.sedar.com or email ajnesbitt@marksmenenergy.com. Marksmen Energy Inc. is listed on the TSX Venture Exchange under the symbol "MAH" and on the OTCQB Venture Marketplace under the symbol MKSEF.